

**U.S.-MEXICO PARTNERSHIP  
FOR  
MUNICIPAL DEVELOPMENT  
Extension Period (Phase II)**

**USAID Quarterly Report XIV  
July 1 – September 30, 2001**

Prepared for

USAID/Mexico

By

INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION  
Cooperative Agreement Award No. 523-A-00-97-00008-00

## U.S. – Mexico Partnership for Municipal Development Phase II

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## **Executive Summary**

The Partnership started in October 1997 and after its original three-year term, it obtained a two-year extension (Phase II). This quarterly report describes the activities of the sixteenth quarter of the Partnership (or fourth quarter of Phase II) and lists activities planned for the next quarter.

During this quarter, the RA visited the municipalities of Jalisco to review the work that had begun as a follow up to recommendations given to the municipalities during the conference panels that were held earlier in the year, at the beginning of the term for the new administrations. The first two municipalities visited were Sayula and Zapotlan. In Zapotlan el Grande, the water department is also participating in the Environmental Management System Program (EMS), that is co-sponsored by USAID and the Environmental Protection Agency (EPA). Later, the RA visited Zapotlanejo, San Juan de los Lagos and Lagos de Moreno. In general, the municipalities report the continuation of a good number of initiatives that were started by the past administration with suggestions from the Partnership. Sayula reports that they are implementing several of the recommendations made to the water department, while Zapotlan el Grande continues to work on the recommendations made to the water, finance, and police departments. Zapotlanejo's water department seems to have put more effort into the implementation of the recommendations than Lagos de Moreno. In San Juan de los Lagos, the water and the finance departments report progress on recommendations made to the past administration. This was further confirmed during the panel conference events.

Mr. Ivan Rayas, Program Manager for ICMA-Mexico and Mr. Oscar Rodríguez, Senior Municipal Advisor for Latin American and Caribbean Programs at ICMA visited the States of San Luis Potosi, and Campeche during this quarter. Three municipalities were selected in San Luis Potosi to be paired with two US cities. In the state of Campeche, only the municipality of Campeche was selected to participate in the RCP.

The RA and Oscar Rodríguez held several meetings with the Asociación de Municipios Mexicanos, A.C. (AMMAC) staff on the development of base indicators for a consortium that they are modeling after ICMA's Center for Performance Measurement. It was decided that the indicators should be based on the selected public services given to the municipalities as part of their constitutional responsibilities. The first meetings took place on July 30 and 31. The outcome of those meetings was a basic set of indicators that were tested on the municipality of Monterrey on August 27<sup>th</sup> by Oscar Rodríguez and AMMAC staff. A second test was conducted in Atizapan de Zaragoza by AMMAC staff and the RA. Finally, a third test was conducted by the RA in Zapotlan el Grande. The field tests of the indicators allowed the development of more defined indicators that will be proposed in late October to municipalities interested in the consortium.

In addition to the support provided to AMMAC on Performance Indicators, the Partnership has been assisting the Centro Nacional de Desarrollo Municipal (CEDEMUN) in the creation of a set of development indicators. To that end, the Partnership has participated in a number of meetings with CEDEMUN staff to provide specific advice. The result is that

CEDEMUN's indicators will be presented in a structure very similar to the one used by the Partnership to measure its own impact in the municipalities in Jalisco that participate in the RCP. CEDEMUN has also agreed that the indicators will be alpha tested, at a minimum, in the municipalities that are working with the Partnership.

The Partnership has also been working with the Secretaría de Contraloría y Desarrollo Administrativo (SECODAM), the federal Secretariat responsible for auditing the executive branch of the federal government. SECODAM took to heart ICMA's suggestions on how to develop a set of indicators to measure transparency in municipal governments. Although SECODAM cannot impose the indicators on the municipalities, it does have significant moral standing to promote their use. Throughout a series of meetings with SECODAM personnel, the Partnership provided feedback on indicators development. As in the case of CEDEMUN, SECODAM has agreed to use the Partner municipalities to conduct the alpha tests.

The RA presented at the Annual Financial Directors Conference organized by AMMAC and held in Monterrey on July 19<sup>th</sup>. The topic of the presentation was "Effective Performance Measurement Indicators."

Towards the end of this quarter, the RA had the opportunity to attend the Board Meeting for FENAMM. This is the first time that the Federación Nacional de Municipios de Mexico (FENAMM) has invited the Partnership to attend their Board Meeting. The RA offered assistance to FENAMM in their upcoming conferences. The FENAMM leadership received the idea with enthusiasm.

The RA visited the Municipality of El Grullo, in southern Jalisco, which has developed a very complete recycling program. The Municipality of El Grullo, together with personnel from the local campus of Guadalajara University and the Director of the Federal Natural Protected Area in the region, have undertaken an initiative to rescue their river from pollution. The main pollution source is a sugar mill that has been forced to modify its operations to reduce its impact on the river. As result of this effort in the region, there is now a signed agreement between 8 (eight) municipalities to develop a regional approach for solid waste and water management.

The RA met with Ms. Gabriela Ramirez, Regional Director of the Banco Nacional de Obras y Servicios Públicos (BANOBRAS, SNC), who is responsible for following up with the regional solution to solid waste project that involves 14 (fourteen) municipalities in Jalisco. The RA suggested to BANOBRAS that they could also support the work under way in El Grullo.

The RA attended the launching of two citizen committees in the state of Sinaloa that will help in the transition process that municipalities are going to go through in the forthcoming months due to the election of new mayors to be held in November. This initiative is a response to the recommendations given to the Commission for Economic Development in the State of Sinaloa (CODESIN) by the Partnership as part of their request to help them

improve the quality of local government. The state government funds the Commission, but it is operated by a board made up of business people.

The Partnership was invited to participate in a forum to discuss the type of legal changes needed, especially at the constitutional level, to promote more independent local governments in Mexico. The two-day event took place in August and was held in the Municipality of Monterrey.

Toward the end of August, the Partnership participated in a conference about Chetumal Bay in Chetumal, Quintana Roo. The Partnership sponsored the participation of Jorge Graff, the head of the Federal Nature Reserve in southern Jalisco (neighboring El Grullo). Mr. Graff spoke at the beginning of the conference; his presentation helped to set the framework for thinking of ways to involve and empower citizens to take control of what happens in their environment. Additionally, the Partnership sponsored the attendance of Cesar Rodríguez from Sarasota County, FL who spoke about their experience with the rescue of Sarasota Bay through a coalition of private and public entities.

The Partnership was invited by CEDEMUN to participate in a permanent forum about how to promote professionalism and the concept of Civil Service in local government. Several federal and state agencies, municipal governments, and representatives of the French Government in Mexico have been invited to contribute as well. The Partnership has been pushing the idea of certification of local officials as a way to prevent the development of a rigid hierarchy associated with Civil Service reforms.

The RA was invited to address the municipal and state auditors in Taxco, Guerrero during a meeting hosted by SECODAM. At the meeting, the RA stressed how important transparency and citizen involvement are in the decision-making process if any trust is to be developed between the local government and its citizenry.

Oscar Rodríguez met with the Finance Director of Monterrey, Nuevo Leon to discuss the plan to develop a budget system with the assistance of Dallas, Texas. A full working plan will be proposed by ICMA to both Monterrey and Dallas.

The RA offered two workshops to NGO groups on how a municipality works and the ways that citizens can be involved with their local government. The first workshop was held in Mexico City under the umbrella of the Movimiento Ciudadano por la Democracia (MCD), in early July. The second workshop was held in San Cristobal de las Casas in early September under the umbrella of Alianza Civica of Chiapas.

During his visit to Chiapas, the RA had the opportunity to meet with the mayor of Tuxtla-Gutierrez. The RA proposed that Tuxtla set up a Citizen Committee to assist the transition of the current administration to the newly elected administration. Though the mayor liked the idea, he wanted to do it after the election. The RA strongly suggested that it would be better to start the project before the election, in order to avoid linking the creation of the committee with the candidate who wins the election.

During the second week of October, a delegation from Chetumal, Quintana Roo visited Sarasota, FL. This was the third delegation from Chetumal. The delegation consisted of a university professor, the leader of the local business association and the head of the state nature Reserve for Manatees. The delegation was shown how the business community sees the importance of keeping the bay in good health, as well as the ways in which the county and other municipalities try to keep pollution away from the bay. Special attention was given to storm water management. The business leaders made the commitment to follow up with several of the ideas given to them in Sarasota. This visit took place to reinforce the messages given to the stakeholders at the Conference in Chetumal in August.

The Partnership continued its work with BANOBRAS to develop a system in which they will promote the certification of municipal officials. The Partnership is discussing with BANOBRAS the idea of providing less stringent reporting requirements and lower interest rates for those municipalities with a certain number of certified municipal officials. BANOBRAS' board has already approved a special budget to be dedicated to the promotion of greater professionalism in local government.

The Partnership agreed to participate with the State of San Luis Potosi's Office for Municipal Development on a training program. The Partnership was asked to contribute to the topics of Strategic Planning and Citizen Participation. Oscar Rodríguez gave the first training presentation in Strategic Planning in late September, and the RA will present on Citizen Participation in early October.

## ***I. Introduction***

The U.S.–Mexico Partnership for Municipal Development is a Cooperative Agreement between USAID/Mexico and the International City/County Management Association (ICMA). The purpose of the Partnership is to promote enduring democratic institutions and practices in Mexico. The objectives are to increase and enhance the participation of citizens in the local democratic process and to improve the capacity of municipalities to respond to the needs of their constituents.

ICMA, through the U.S.-Mexico Partnership for Municipal Development Phase II, will focus its activities on supporting the Mexican municipal reform agenda. Phase II of the Partnership seeks to consolidate the work in Jalisco, while replicating the lessons learned and best practices in a series of new municipalities located in the northern, central and southern regions of Mexico. The ultimate goal of this expanded scope of work is to achieve a national impact in promoting enduring democratic institutions at the local level. All the activities will support the implementation of Article 115 reforms and work towards further progress in the facilitation of citizen participation in municipal government affairs.

Under the US-Mexico Partnership for Municipal Development Phase II, ICMA will provide technical assistance and promote mechanisms for citizen participation through five Program activities: (i) the Resource Cities Program (RCP), (ii) Municipal Association Development, (iii) Transparency and Ethics in Democratic Local Government, (iv) Local Government Performance Measurement, and (v) Information Dissemination. In addition, ICMA will provide technical assistance to the Municipality of Chetumal, the Comisión de Agua Potable y Alcantarillado, and the University of Quintana Roo through a unique partnership with Sarasota, FL and the University of Rhode Island to improve the operation of their water quality management systems.

## ***II. Program Activities***

### **1. Resource Cities Program**

ICMA, together with US cities, provides technical assistance to cities in Mexico focusing on issues of municipal management, municipal finance, and citizen participation. ICMA and U.S. counterparts are also providing assistance in urban service delivery areas such as water, wastewater, and solid waste management, as appropriate, in addition to addressing pressing municipal concerns with public security and economic development. Lessons learned and best practices will be replicated in other Mexican municipalities through municipal associations and non-governmental organizations (NGOs).

#### **1.1 Activities And Accomplishments This Quarter**



During this quarter, The RA visited municipalities in the State of Jalisco who are participating in the Resource Cities Program (RCP) to review the work that had begun as a follow up to the conference panels that were held earlier in the year.

The Partnership, in collaboration with the state of San Luis Potosi and Campeche Offices for Municipal Development, with the agreement of the Mission, proposed five additional municipalities for the RCP program in those States.

### **1.1.1 Jalisco RCP Municipalities**

The partnership municipalities of Jalisco were visited by the RA to review the work that had begun as a follow up to the conference panels that were held earlier in the year. The first two municipalities, Sayula and Zapotlan, were visited on August 7<sup>th</sup>. In Sayula, the RA had the opportunity to meet with the treasurer, the water director and public works director. They discussed some of the recommendations proposed to Sayula that had been addressed during the panels. Unfortunately the municipal officials presented a number of reasons why they have not followed up on most of the ideas. The municipal officials show limited interest in following up on the program recommendations. This attitude is now reflected from the mayor on down throughout the municipality. The Partnership may stop working with Sayula if the situation continues. Of note, the treasurer has taken steps to institute a better accounting system than the previous treasurer. The inadequate accounting system was a major issue brought out by the Partnership during the previous administration.

In Zapotlan, the RA met with the director of citizen participation and the public safety official – neither the water director nor the treasurer were able to meet as they had to leave the city unexpectedly. The water department is also participating in the Environmental Management System (EMS) program that is co-sponsored by AID and EPA. The citizen participation department is continuing with the use of the manual developed under the past administration. The public safety department is also continuing with the DARE program that was indirectly supported by the Partnership under the previous administration.

On August 9<sup>th</sup> the RA visited Zapotlanejo where he held a well-attended meeting with council members, treasurers, the water department director and his deputy. Zapotlanejo produced some positive reports on the water department. They worked diligently to upgrade their customer database, move to a bigger office, increase personnel and map their events, such as system leaks and customer premises leaks (a recommendation made by the Partnership). It is the only municipality that has continued fully with this practice. The mayor removed all personnel from the treasury department, even though it was probably the best managed of all the partner municipalities. One thing that is clear about the influence of the Partnership is that everyone is very focused on the performance of the treasury department. However, the department is the weak link that blocks every other department from complying with the council resolutions to open from 9 to 6. Right now, a good number of departments are open until 6 pm but the citizens cannot finish their business when payment is required because the treasury department does not work until 6:00, although it claims to be almost ready to do so.

On August 14<sup>th</sup> the RA visited San Juan de los Lagos and Lagos de Moreno. The first municipality visited was Lagos de Moreno, where the RA had an opportunity to meet with the council member who serves as the liaison between the Partnership and the municipality as well as the water director who was recently appointed to the position. The new water department director worked indirectly with the Partnership during the last administration when he was in charge of the public lights system. At the meeting, the public works director was also present. Some of the issues mentioned at the conference panels were discussed. It is clear the new water department director could be a strong ally. The RA visited the landfill, which is currently under control, given that the previous director heeded the Partnership's recommendations. The current situation could deteriorate quickly if the landfill is not properly maintained. The Partnership will continue to monitor the situation at the landfill. In San Juan de los Lagos the RA met with the mayor, several council members and municipal staff. Most of the discussion centered around water issues and the court decision which forced the municipality to pay almost 20% of the yearly operating budget to a number of residents because of the past administration's mistakes. The citizens took the municipality to court and won. However, it is clear that the water department in San Juan is going in the right direction by implementing several of the recommendations that were given to the past director but that were only partially implemented. At the water treatment plant, the grounds are being kept in much better condition. The treasurer has continued the work of the previous treasurer in terms of reporting each department's expenses and keeping them informed of their expenditure levels with respect to the approved budget.

### **1.1.2 RCP in other states**

During this quarter, the Partnership worked on matching the Mexican municipalities and the US cities for the Resource Cities Program (RCP). Once Texcoco, Mexico was selected as a RCP partner, the Partnership contacted the City of Chandler, Arizona to inquire about their potential interest of being paired with Texcoco. Chandler's upper management felt that this proposal was a good one and scheduled the discussion with the City Council for early next quarter.

The Partnership, in collaboration with the state of San Luis Potosi and Campeche Offices for Municipal Development defined a short list of potential partner municipalities. Mr. Ivan Rayas, Program Manager for ICMA-Mexico and Mr. Oscar Rodríguez, Senior Municipal Advisor visited the States of San Luis Potosi, and Campeche from August 23<sup>rd</sup> to 27<sup>th</sup> to review each of the potential partner municipality's interest in the program. After the visit, the Partnership proposed to its state partners and the USAID Mission that five municipalities be involved in the RCP in addition to Texcoco that had previously been selected. The municipalities selected were Rioverde, Cardenas, Ciudad Valle and Tamián in the State of San Luis Potosi and the city of Campeche in the State of Campeche. The municipalities in San Luis Potosi were paired up in the following way: Rioverde and Cardenas (with Rioverde as the main partner) and Ciudad Valle and Tamián (with Ciudad Valle as the main partner). This proposal will enable the Partnership to work in three or more municipalities at a lower cost.

### 1.1.3 Selection of US Partners

The Partnership has almost completed the list of US cities for the program, and it has conducted the profile matching to complete the initial part of the RCP.

City	Has been invited but has not given a definite answer	Designated partner	Has requested to not participate in round
Avondale			X
Brea		Lagos (cont.)	
Bullhead City			X
Campbell, CA		Rioverde, Cardenas	
Chandler		Texcoco	
Gilbert		Zapotlan	
Palo Alto		Campeche	
Pinal County		Cuquio and Zapotlanejo	
Scottsdale			X
Santa Fe County	X		
Tempe		Cuquio and Zapotlanejo	
Tolleson		San Juan de los lagos	
Yuma		Sayula	

### 1.2 Activities Scheduled For Next Quarter

The Partnership will schedule all the visits from Jalisco to the US partner cities. The Partnership is intending to complete the first exchanges of all the US city officials to their respective partner municipalities, for those partnerships outside Jalisco, before the end of next quarter.

The Partnership has scheduled the Program indicators assessment for the week of October 8<sup>th</sup>.

## 2. Municipal Association Development

As part of the Partnership's objective, ICMA will continue (1) to serve as an advocate within the political system for increased local autonomy; (2) to promote professionalism in local government; and (3) to help nurture and support the local level municipal management capacity required by a democratic system. ICMA will continue to provide assistance and training to strengthen the capacity of the three national municipal

associations. To the extent that the municipalities in any given state make significant progress in forming an association that is not explicitly tied to a political party, the Partnership will also consider working with such an association.

## **2.1 Activities and Accomplishments This Quarter**

The RA and Oscar Rodríguez worked with AMMAC staff on developing the base indicators for a consortium that they are modeling after ICMA's Center for Performance Measurement. The details of the effort are presented in the Performance Measurement section.

AMMAC invited the RA to give a talk at the Annual Financial Directors Conference that was held in Monterrey on July 19<sup>th</sup>. The topic of the talk given by the RA was "Effective Performance Measurement Indicators."

The RA had the opportunity to attend the board meeting for FENAMM on Sept. 21<sup>st</sup> in which they discussed the upcoming meeting for the southern region. Also discussed were some of the legal changes that are currently being proposed to the national congress. Among those changes is the possibility of mayoral re-election, as well as greater tax collection responsibilities.

### **2.1.1 Association Strengthening**

The Partnership worked with AMMAC's leadership to define the administrative areas for which ICMA will provide technical assistance. The final work plan should be completed early next quarter and the first visit to AMMAC's offices by the ICMA specialist will be conducted during the next quarter.

An AMMAC staff member was scheduled to attend the ICMA Annual Conference but canceled her participation due to the events of September 11<sup>th</sup>. It is expected that she will visit the ICMA headquarters in December to observe and participate in the planning meeting for ICMA's Annual Conference in 2002.

The Partnership has agreed with AMMAC to have the ICMA's Director for the Center of Performance Measurement, Mike Lawson, visit their office, as well as to have the person responsible for the development of their performance indicators visit ICMA's office to observe the operation of the Center. The dates for these visits have not been defined, since the Partnership plans to have Mike talk with other institutions interested and working in this area. Among those institutions are CEDEMUN, BANOBRAS and SECODAM.

FENAMM has expressed their interest in having the Partnership participate in their regional meeting to present technical and management concepts to their members.

### **2.1.2 Development of Councils of Government (COG) Council of Government**

The RA met with Ms. Gabriela Ramirez, the Regional Director of BANOBRAS, who is responsible for following up on the initiative to develop a regional solution to solid waste in an area west of Guadalajara called Valles that consists of fourteen municipalities. BANOBRAS agreed to help the municipalities develop a regional approach to the problem. The Partnership will probably have the opportunity to provide technical assistance to the group to help them to sort through the technical options that are available to them to address the issues.

The RA also suggested to BANOBRAS that they could support the work that it is being promoted in southern Jalisco. The Partnership learned recently of a 4-year regional effort to rescue the Ayuquila River, which is predominantly in the southern Jalisco municipality of El Grullo and neighboring municipalities. The Ayuquila River has been polluted by agricultural runoff waters and the wastewater of a sugar mill. The rescue is a joint effort by municipalities, some civil society groups (including a university) and the director of a federal nature reserve area. They have been able to reduce pollution coming out of the sugar mill and start a program to look at the agricultural impact on the river and surrounding environment. The RA visited El Grullo on August 1<sup>st</sup> and 6<sup>th</sup> to learn about the efforts and also to look at the operation of the recycling program in the municipality's urban center which has involved a third of the urban residents of El Grullo. It may be one of the few municipalities in Mexico with such a high level of citizen participation. The municipality operates the recycling program, while a group related to the university is doing the promotion and outreach. The mayor received a few suggestions on how they can improve the operation. Most of the recommendations deal with ways to increase the capacity of the collection equipment.

Eight of the regional mayors will be traveling to Wisconsin and Canada to look at regional approaches to solid waste and water management. The RA will join this delegation, and with the assistance of ICMA members, the delegation will have access to the solid waste and regional water management solutions that US cities have implemented. This visit will be held in early November. The partnership will look at ways to use the visit of US city officials to Jalisco to support the mayors' initiative.

Since the Partnership's efforts to gain the interest of municipalities in Monterrey or the Guadalajara metropolitan area in promoting inter-municipal cooperation has not been received with the necessary interest, the BANOBRAS project and the mayor's coalition offer unique opportunities to fulfill the Partnership's objective to promote the development of initiatives to address issues on a regional basis.

## **2.2 Activities Scheduled for next Quarter**

The RA will travel with the delegation of southern Jalisco mayors to Wisconsin. During the visit, the delegation will learn about at least two regional approaches to solid waste and water management.

The Partnership will schedule the visit of solid waste experts to Jalisco to assist with the BANOBRAS regional initiative in the Valles region.

### **3. Ethics and Transparency in Democratic Local Government**


#### **3.1 Activities and Accomplishments This Quarter**

##### **3.1.1 Citizen Committees**

The RA attended the establishment of two citizen committees in the state of Sinaloa (Elota and Culiacan) that will help in the transition process that municipalities are going to go through in the forthcoming months due to the election of new mayors to be held in November. This initiative is a response to the recommendations given to the Commission for Economic Development in the State of Sinaloa (CODESIN) by the Partnership as part of their request to help them to improve the quality of local government. The partner institution, CODESIN, in Sinaloa is taking the lead in helping the municipalities set up the committees. There is also a third municipality (Novolato) that may create a committee.

The Elota committee is made up of 6 citizens and has held 9 meetings. The Culiacan Committee consists of 13 citizens and has held 3 meetings. Topics under discussion include public lighting, street cleaning/maintenance, parks, economic development, water, treasury, public works, police and transit authorities.

The RA offered two workshops to NGO groups on municipal operations and citizen participation. The workshops were held in Mexico City from July 12<sup>th</sup> – 14<sup>th</sup>, and in San Cristobal de las Casas, Chiapas on September 7<sup>th</sup> - 9<sup>th</sup>.

During his visit to Chiapas, the RA had the opportunity to meet with the Mayor of Tuxtla-Gutierrez on September 6<sup>th</sup>. They discussed the possibility of Tuxtla setting up a Citizen Committee to assist the transition of the current ministration to the newly elected administration after the elections in early October. The mayor agreed to the suggestion, but preferred to wait until after the election to create the committee. The RA suggested strongly that it would be better to start the process to create the committee before the election, as later on it may be perceived as tied to the candidate who won the election.

##### **3.1.2 Promotion of Citizen Involvement in Local Government affairs (Sub-grant)**

The Partnership continued its relationship with Acción Ciudadana para la Educación, la Democracia y el Desarrollo, A.C. (ACCEDDE), as they started to work with the partnership municipalities in the state of Jalisco. The Partnership and ACCEDDE will sign the contract early next quarter.

The Partnership is considering the possibility of working with a group in Chiapas. The group Alianza Civica de Chiapas, in San Cristobal de las Casas has done extensive work in that region and has been able to gain the respect of the local authorities. The group has a strong influence in the community and will be able to work with the winner of the elections to promote the creation of citizen committees and programs for capacity building within the municipality. The group also offers the advantage of having the respect of other NGOs in central Chiapas. Additionally, the group can be a good depository of the

experience to be promoted and replicated in other municipalities through their associated regional social groups.

### **3.2 Activities Scheduled for next Quarter**

A high priority on the part of the Partnership is the signing of the sub-grant agreement with ACCEDDE to be able to provide the funds that will allow the group to operate with a greater degree of freedom. The Partnership is expecting the completion of a finance department operations manual from ACCEDDE toward the middle of the next quarter. The manual will be reviewed by the state association of public accountants and promoted with backing of the State of Jalisco's General Auditor. The manual is for small to very small municipalities.

The Partnership will decide whether or not to provide a sub-grant to the Chiapas group next quarter.

## **4. Local Government Performance Measurement**

Performance measurement is one of the most important ways that the Partnership can assist municipalities in Mexico to introduce a results-oriented administration. Presently, there is no practical way to follow the progress of a particular municipality or compare the performance between different municipalities. Policy-makers, like the general public, are unable to distinguish high performers from low ones. The Partnership will work with a number of municipalities in Mexico to implement performance measurement indicators that will be tied to citizen committees as a way to assure that the process will continue once the Partnership's work ends.

### **4.1 Activities and Accomplishments This Quarter**

#### **4.1.1 Working with Government Agencies**

The Partnership started to work with three federal agencies in the development of indicators that relate to municipalities. CEDEMUN has started a significant effort to develop a set of development indicators that hopefully will assist the Federal Government of Mexico in measuring the impact of their assistance to municipalities. As part of this effort, the Partnership was invited to participate in a small task force to develop the draft indicators. The task force met three times in July (the 3<sup>rd</sup>, 11<sup>th</sup> and 31<sup>st</sup>) and August 29<sup>th</sup> to develop the indicators. Finally, on Sept. 21<sup>st</sup> the task force came out with a draft set that will be presented to other federal agencies for their feedback. The Partnership offered the participation of the partner municipalities for the alpha and beta tests.


AMMAC representatives, the RA and Oscar Rodríguez met with a group of SECODAM officials responsible for the development of performance indicators and accountability in local government. The meeting was held on July 31<sup>st</sup>. As a result of that meeting, a set of indicators has been developed and the RA and Oscar Rodríguez have kept in close contact with the SECODAM staff. There was a second meeting on Sept. 20<sup>th</sup> to further review the

first draft indicators. SECODAM has agreed that the Partnership will participate in the alpha and beta tests.

The RA was invited by SECODAM to give a talk on transparency to state and local auditors during a meeting on July 29<sup>th</sup> in Taxco, Guerrero. The presentation was well-received and the question and answer session was extended due to the discussion generated by the presentation.

#### **4.1.2 Development of a pilot public-private consortium for measuring and comparing performance of local governments nationally**

The RA and Oscar Rodríguez worked with AMMAC's staff to create the base indicators for a consortium of AMMAC members interested in municipal performance indicators. The team working on the development of the indicators decided that the first effort would base the indicators on what the national constitution mandates as the responsibility of the municipalities. In order to assure a controlled process, the effort started only with a selected group of services. For each of the selected services, only a few indicators were developed. Among those service selected are: refuse collection, streetlights, street construction and maintenance, public safety, traffic, water distribution, water treatment, and finance.

Several meetings were held throughout the quarter to develop the first set of indicators. The first meetings were held on July 30<sup>th</sup> and 31<sup>st</sup>. The outcome of those meetings was the cornerstone for the set of indicators that was tested with the municipality of Monterrey  August 27<sup>th</sup> by Oscar Rodríguez and AMMAC staff. Later on September 11<sup>th</sup> the RA, along with AMMAC staff, visited a second municipality to test the revised set of indicators. Atizapan de Saragoza in the state of Mexico, a metropolitan municipality north of Mexico City was the second municipality used for the Alpha test. Finally, a third test of the indicators was applied to one of the municipal partners in Jalisco, Zapotlan el Grande, on Sept. 18<sup>th</sup> by the RA. The RA followed the test results with AMMAC's staff to the point of developing a tool for the Beta test, which should be implemented next quarter. AMMAC agreed to call a meeting of those municipalities interested in forming the Performance Measurement Consortium early next quarter. AMMAC's ultimate goal is to have the first set of indicators results reported at the Annual Meeting in late November. The Partnership will strongly suggest that the data collection tool for the indicators be Beta tested before it goes out to all the participating municipalities. This recommendation may affect AMMAC's plans for having the indicator results reported at the Annual Meeting.

#### **4.2 Activities Scheduled for next Quarter**

The Partnership expects to assist AMMAC, CEDEMUN and SECODAM in their effort to Alpha and Beta test their respective indicators. The Partnership is planning on working on the test during the quarter to have an improved indicator set by the end of quarter.

### **5. Information Dissemination**



The dissemination of good practices represents one of the fundamental objectives of the Program. The Partnership's activities involve the development of a set of good practices or examples. The Partnership will work with government agencies (either state or federal), municipal associations, universities, and NGOs to expand its distribution network for the experiences being developed as part of the Partnership activities.

## **5.1 Activities and Accomplishments This Quarter**

### **5.1.1 Sharing good practices experiences**

Mr. Oscar Rodríguez completed two papers about the experience of Mérida. One of the papers deals specifically with the municipality's experience with municipal bonds, and the second paper describes how the municipality's administrative system has evolved in the last ten years. The paper will be the centerpiece for a virtual forum that will be organized by ICMA in October under ICMA's Cooperative Agreement with the Latin/American Caribbean Bureau in USAID. The papers are in Annex 2 and 3 respectively.

### **5.1.2 Distance learning programs**

The Partnership completed the contents for the training program for municipal finance directors. The program can be live or through distance learning facilities. Annex 4 contains the description of the program. The Partnership with AMMAC will promote the program with INDESOL, a federal agency that operates a distance learning system. The system covers most of the rural areas in the country.

## **5.2 Activities Scheduled for next Quarter**

The Partnership will participate with CEDEMUN in a distance-learning program to be reproduced through the national university. This will be the first effort to conduct training programs through the university that could eventually lead to a complete course in a particular area of expertise. The Partnership will push to have finance be the first area to be offered as a complete course.

The Partnership will continue to use the different meetings, workshops and other activities that its staff participate in to share the different experiences that it has been accumulating over the past three years.

## **6. Chetumal**

ICMA continues the work it started with Sarasota and the University of Rhode Island regarding the Bay of Chetumal. The project involves sharing the technical skills and experience of the staff in Sarasota with the administrators in Chetumal in the hopes of improving the operation of their water quality management systems, which include potable water, wastewater and storm drainage systems -- in essence, improving the quality of the water in the Bay of Chetumal.

The work plan that will guide this effort was developed in consensus with representatives from Sarasota County, Sarasota Bay National Estuary Program, Municipality of Chetumal, *Comisión de Agua Potable y Alcantarillado* (CAPA), the University of Quintana Roo, and local environmental groups.

## **6.1 Activities and Accomplishments This Quarter**

On August 23<sup>rd</sup> through 25<sup>th</sup>, the Partnership participated in a conference focusing on the state of the Chetumal Bay in Chetumal, Quintana Roo. The Partnership sponsored the participation of Jorge Graff, the head of the Federal Nature Reserve in southern Jalisco (neighboring El Grullo). Mr. Graff spoke at the beginning of the conference. His presentation helped to set the framework for thinking of ways to involve and empower the citizenry to take control of what happens with their environment. Additionally, the Partnership sponsored the attendance of Cesar Rodríguez from Sarasota County, FL who spoke about their experience with the rescue of Sarasota Bay through a coalition of private and public entities. The participation of these two speakers sponsored by the Partnership helped in the program to guide the recommendations of the conference towards the need to have broader citizen involvement in any projects that address the Bay's health. The participation of the business association group also allowed the Partnership to encourage the involvement of the private sector. The President of the association was invited to participate in the visit to Sarasota that took place a few weeks later.

During the week of September 10<sup>th</sup>, Oscar Rodríguez and a delegation from Chetumal visited Sarasota. The delegation included a university professor, the director of the state protected area for Manatees and the president of the business group association. The visit focused on the environmental issues related to storm water management and the details of the environmental rescue of Sarasota Bay. The business leader came back from the visit very motivated to become involved. He has taken a greater role to promote a broad-based approach to the bay's environmental health problems.

A final visit by a Sarasotan delegation to Chetumal was planned for the last half of September, but the Partnership felt the agenda presented by the hosting organization in Chetumal was very weak, and therefore it decided to postpone the visit until the water utility of Chetumal could demonstrate that it was ready to take advantage of the visit.

## **6.2 Activities Scheduled for next Quarter**

A delegation from Sarasota will visit Chetumal. During this last visit, the program will reach the end of the programmed activities. The Partnership will present a final report on the experience.

## **7. Other ICMA Activities with Federal Agencies**

### **7.1 CEDEMUN**

The Partnership continues working with CEDEMUN's staff to define the agenda for their trip to the US to learn about how the federal government interacts with state and local governments. It is expected that the trip will take place by the middle of the next quarter.

The Partnership has made sure that ICMA members, in particular those belonging to the Hispanic Network, are informed about the upcoming International Forum on Federalism. ICMA will participate in the Forum by having a booth and with the attendance of the RA, Mark Bidus (Director of International Municipal Programs, ICMA), and Deborah Kimble, Senior Governance and Management Advisor, who will be presenting at the Forum.

The CEDEMUN efforts to promote professionalism in the Mexican municipalities have focused on two approaches -- certification (this has less support among CEDEMUN staff, but it is being strongly pushed by the Partnership), and a system which closely follows the French civil service. The Partnership participated in the kick off meeting on the subject on August 27<sup>th</sup>.

## **7.2 BANOBRAS**

After several meetings with high level officials, the Partnership was able to arrange for a meeting with CEDEMUN and BANOBRAS on July 4<sup>th</sup>. The Partnership served as broker for the meeting. They discussed performance indicators and professionalism. It is interesting to note that, while for BANOBRAS, professionalism has a connotation of some sort of certification process, for CEDEMUN it seems to have a somewhat different meaning. For CEDEMUN, professionalism implies the implementation of a Civil Service similar to that existing in France. BANOBRAS and the Partnership agreed to work on a certification proposal. In a subsequent meeting on Aug 28<sup>th</sup>, BANOBRAS presented a proposal to the Partnership on the subject. Some of the benefits that BANOBRAS can offer are lower interest rates and less reporting requirements for municipalities that have a certain number of certified officials. The Water Utility for the Board of the State of Quintana Roo and the State of Veracruz have asked to participate in the certification process with BANOBRAS.

At the different meetings with BANOBRAS, the Partnership has presented a number of ideas that BANOBRAS seem to value. One of the ideas in which they have shown particular interest is the creation of a citizen committee to oversee how the municipalities manage their loans. BANOBRAS is considering the provision of incentives, such as lower interest rates to those municipalities that establish a citizen committee as their advisory board.

## **8. Other ICMA Activities in Mexico**

The RA prepared the Partnership's participation in the training program with the Environmental Management System sponsored by EPA and AID. The participation will focus on the importance of considering mechanisms to directly involve citizens, such as citizen advisory committees, to increase the possibilities of anchoring the improvement

developed by the EMS program. A training event is scheduled early next quarter in which the RA will make a presentation.

## **Annex 1: Key Mexican Counterparts**

## **Annex 2: Access To Capital Markets And Local Development Policy: Mérida, Yucatán Attempts To Issue Municipal Bonds**

**ACCESS TO CAPITAL MARKETS AND  
LOCAL DEVELOPMENT POLICY:**

**MÉRIDA, YUCATÁN ATTEMPTS  
TO ISSUE MUNICIPAL BONDS**

**by**

**Oscar Rodríguez**

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**Regional Partnership For  
Decentralization and Local Governance  
In the Americas**

**Award No. LAG-A-00-98-00060-00**

Prepared for The U.S. Agency for International Development

Bureau for Latin America and the Caribbean

*Office of Regional and Sustainable Development*

***June 2001***

## ACCESS TO CAPITAL MARKETS AND LOCAL DEVELOPMENT POLICY: MÉRIDA, YUCATÁN ATTEMPTS TO ISSUE MUNICIPAL BONDS

### Synopsis

In need of capital financing for renovating its central historic district and seeing the usual channels closed, the Municipality of Mérida decided to try a new route. Years of balanced public policy, including building up a solid financial position, led it to attempt what until then was considered impossible for a Mexican municipality: issue municipal bonds. It did not go all the way and actually sell bonds, but it found what it was looking for and more.

Now with its renovation project almost complete, Mérida sees it is only a matter of time— not long— before it and other similarly managed municipalities in Mexico go directly and on their own volition to the private market and issue bonds, like their counterparts in the industrialized world. When and how this comes to pass, it will say a lot about capital financing for municipal government in Mexico and the rest of Latin America.

### Sub-national Capital Market Development in Latin America

This article aims to contribute to the debate about whether or not institutional municipal development in Latin America implies eventual direct access to the capital markets. It is also the purpose of this article to continue the discussion on sub-national government access to financial markets that took place in the "First World Bank Conference on Capital Markets Development at the Subnational Level," October 26-29, 1998, its proceedings later published by the School of International and Public Affairs at Columbia University (SIPA), *Local Strategies to Access Financial Markets: Lessons and Opportunities for Latin America, Central and Eastern Europe*.<sup>1</sup>

How did Mérida on its own come so close to issuing bonds while other municipalities in México and, for that matter, in Latin America (with few exceptions<sup>2</sup>) have never even tried? Many of the circumstances surrounding this case are unique; nonetheless, the Mérida experience does have implications that go beyond the local setting because it achieved without any outside assistance what some policy-makers and planners have advocated in the international development cooperation community. In the end, municipal bonds were not issued, but even the events that led to this outcome offer some lessons in what keeps or, alternatively, leads municipal governments to access local capital markets. As such, what happened in Mérida touches on

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<sup>1</sup> Mark C. Gordon, et al, *Local Strategies to Access Financial Markets*, International Bank for Reconstruction and Development, 1999.

<sup>2</sup> Norma Caplán de Cohen, contribution to the *E-Conference on Financial Reporting and Disclosure for Capital Markets*, October 23-27, 2000.



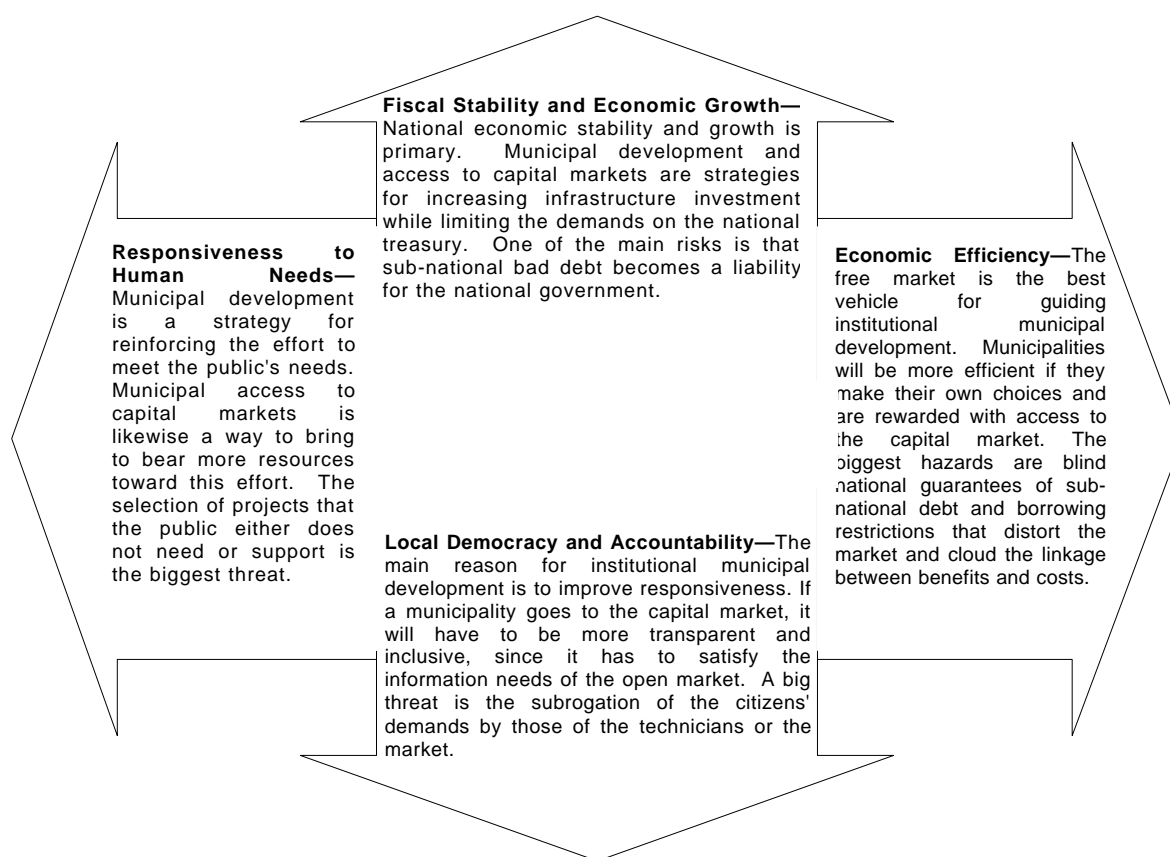
many of the issues raised by the different development policy paradigms that shape the discussion about municipal institutional development in Latin America today.

Four major development models were highlighted in the SIDA report.<sup>3</sup> Each one describes a distinct set of priorities and focuses on the risks and barriers its sees standing in the way:

- | Fiscal Stability and Economic Growth
- | Economic Efficiency
- | Local Democracy and Accountability
- | Responsiveness to Human Needs.

This menu of options can serve as a framework for classifying a given policy choice and analyzing it in terms of the directions not taken, as well as the specific implications it opted for.

### Development Policy Directions

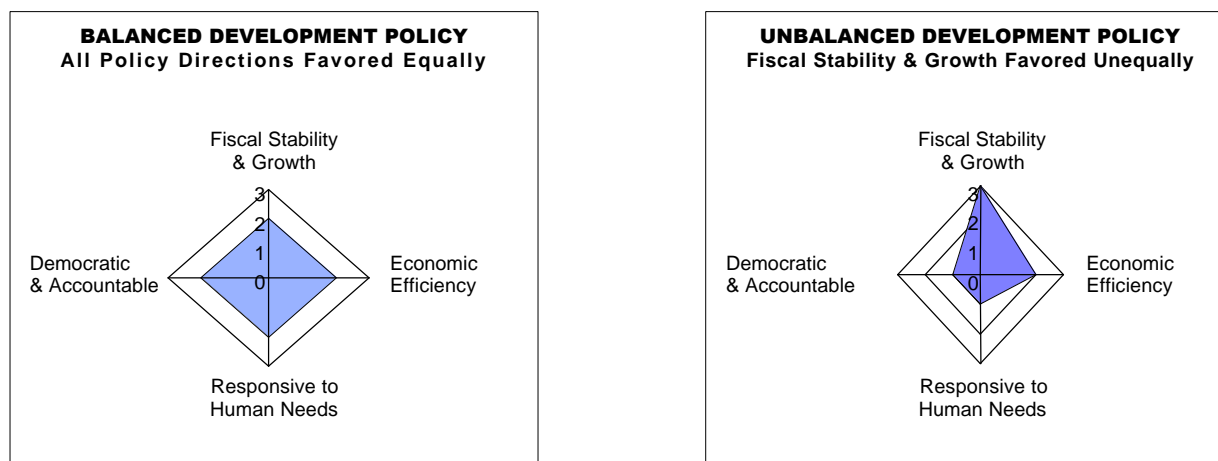


If extrapolated to the municipal development setting, this taxonomy provides a helpful way to analyze a given local development path. Taken as an analytical framework, this set of options provides a basis for saying if a given policy favors one direction at the expense of others. In this way, if all the issues are addressed in a balanced fashion, it can be said that the policy is “balanced.” On the other hand, if all of the questions from one particular perspective are

<sup>3</sup> Ibid, pg. 9.

answered, while the others are ignored, then the policy can be considered "unbalanced" or in favor of one set of concerns.

### Views of Development Policy



Knowing if development is proceeding in an unbalanced fashion is important. Knowledge that a given policy is unbalanced may foretell an upcoming correction. It can help explain the reaction to the development process in progress. It can also serve as a reference point for steering the development process.

Corrections and sudden changes in policy often imply missed or switched targets. They indicate the lack of long-term sustainability or support. As such, they cost the organization time and resources.

Consistency in institutional development is preferable. Municipalities are better off over the long-term following development plans and reform programs that transcend from one mayoral administration to the next, instead of attempting to impose institutional changes that have little chance of being continued by the incoming administration.

Whether in Latin America or the United States, important institutional development decisions at the municipal level of government usually depend on broad internal, as well as external, support to be successful over the long-term. Local policy has to be balanced if it is going to last. If, say, capital investment planning or taxing policy is perceived to be unfair or skewed toward a narrow point of view or in favor of a limited constituency, it will not garner the sustained support it needs to persevere over the resistance it will surely encounter along the way. It will lose momentum and eventually tend to either fall by the wayside or be rolled back. Over the long-term, the policies the institution and the public see as being balanced, where all the major goals and concerns are sufficiently addressed, tend to survive longer than those it sees as being unbalanced. Those municipalities that are able to keep with plans and policies that transcend from one administration to another, whether institutional, social or physical, will go farther than those that start over with every administration. Their investments in institutional development efforts like training, administrative reforms and financial strengthening will bear more fruit. Capital

investment planning and urban development will be more successful and go further toward solving their problems. Those municipalities that are gripped by the practice of replacing the staff from the previous administration, frequently shutting down reform plans in mid-course, and reversing the financial gains of their predecessors, only to start over and over again with new development plans and programs will fall behind, cycling endlessly in, what Savedoff and Spiller, termed a *low-level equilibrium* of service.<sup>4</sup>

### **Need for Capital Financing in Mérida**

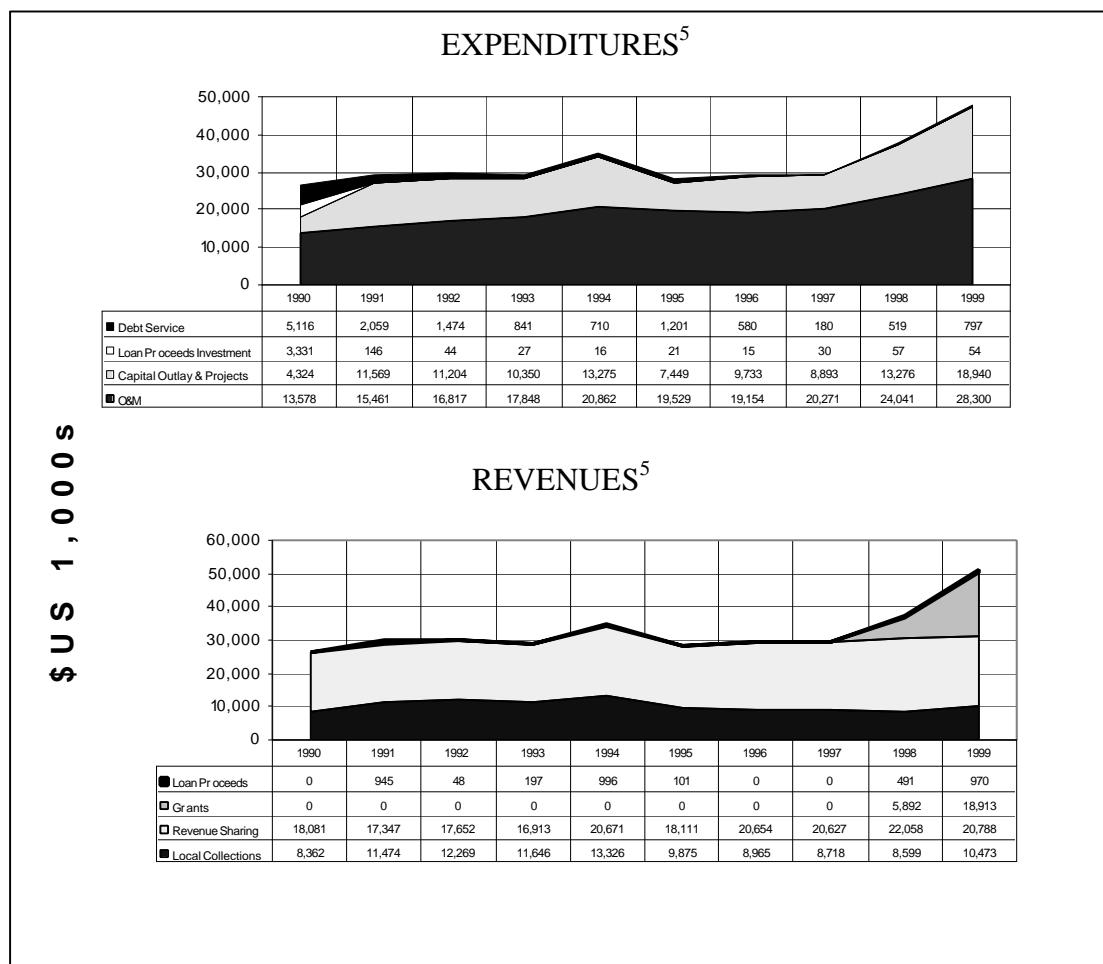
In 1996, Mérida needed to refurbish the historic part of its downtown and contract for sanitary landfill services. The municipality estimated that it needed \$US 10 million in capital financing to complete these projects. It could afford and very much wanted to make the investment, but it faced a virtual brick wall to getting the financing it needed.

Public support was not an impediment. The downtown project enjoyed broad community support. Financial position was not a problem either. The municipality counted on enough reserves and cash flow to service the debt needed for these projects. For the past five years it had been following a policy of dedicating a substantial part of its budget for one-time investments (capital projects and equipment), giving itself flexibility in its expenditures against steadily climbing revenues.

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<sup>4</sup> William Savedoff and Pablo Spiller, eds., *Spilled Water: Institutional Commitment in the Provision of Water Services*, Inter-American Development Bank, 1999.

## Mérida Fiscal Trends



## Impediments to Capital Financing

What stood in the way were the Federal Fiscal Coordination Law and state politics. The federal law allowed the states to control municipal debt in anyway they see fit. Yucatán state law required the state congress' explicit approval for any loan binding future municipal administrations or secured by federal transfer revenues (*participaciones*), even if that revenue is committed to the municipality by federal law itself.

The municipality saw little chance of winning the state congress' approval. The majority of the legislature was controlled by an opposing party that had run the municipality without

<sup>5</sup> Adjusted for inflation to 1999 dollars

interruption since the late-1960's until it lost a series of bitter elections beginning in 1990. In 1995, the municipality had sought the state's approval for a short-term note with a commercial bank to buy machinery and equipment, but the state refused to take any action, giving no explanation. Likewise the state congress had failed to address the municipality's petition for an endorsement of a long-term landfill services contract that would bind future mayoral administrations— another requirement of state law.

Not content to let things stand as they were, the municipality began to look for alternatives.

Short-term— one-year— loans with local banks were known options. Past administrations had resorted to them to bridge cash flow gaps. A short-term or a series of short-term notes, however, would not fit the project. Setup costs would accumulate with each note. Total costs would be too high, and there would be no guarantee that a follow-up loan would be forthcoming. The proceeds from a small note would not be enough to allow for properly sized construction bid packages. More importantly, the municipality knew that its financial position warranted a better deal.

It could go to a local bank and work out a three-year loan backed by its own-source revenues. The law allowed this, but the size of the financing made the municipality feel obligated to negotiate in the open and invite competition by other banks to prove to the public that it taken the lowest bid. For the municipality had worked hard since 1990 to win the trust of its citizens, and the citizens were responding by improving the record of payment of taxes. The municipality did want to jeopardize the good faith it had won with its citizens.

A traditional bidding process offered no better arrangement. There was no guarantee that enough banks would go along to make the process truly competitive. Whatever bidding process did result would have to be tightly structured and leave little room for give-and-take negotiations. Then there was no guarantee that the municipality would end up with a worse-than-market offer, defeating the purpose for a competition. Mérida decided not to take this route either.

### **Issuing Commercial Debt: the Only Option**

After some research, the municipality learned that issuing commercial debt in the private market using non-federal revenue was the next best option. State law did not require vetting by the state congress for debt supported by own-source revenues such as local taxes and fees. The only limitation was that the municipal administration could not enter into any obligation that went beyond its three-year term of office, lest it have to go to the state congress like in the case of the forgotten landfill contract. Mérida could pledge future taxes and fees to secure a loan with a commercial bank so long as the term did not extend into the next administration or the bank was satisfied with the municipality's good faith commitment.

Mérida opened a solicitation process and won bids from several banks. It selected the best offer and began working with a subsidiary of Banco del Sureste to establish the critical path for issuing debt for US\$ 3.7 million to cover the first phase of the downtown project.

By early-1997, negotiations had advanced to the point that the municipality contracted with Standard & Poors (S&P) to rate its creditworthiness, one of the critical steps toward issuing debt. Then as preparations were being made for the rating exercise, Banco del Sureste announced it was going to merge with Banco Atlántico, putting the Mérida project on hold.

It took several months for the merger to be completed. When the bank came back to the table, it changed its requirements. The guarantee that had already been negotiated was a sinking fund supported by local real estate taxes. Now the new bank wanted a lien on certain municipal real property on top of the sinking fund. Since it bound future administrations, the bank's demands put the project back under the state congress' purview. Seeing there were only twelve months left in its three-year term, and that the project was headed back to the state congress, Mérida suspended the project.

### **Change in Administrations**

In July 1998, a new administration took over city hall. Like in previous administrations since 1990 when the traditional party lost control of the municipal palace, there was little turnover in staff. The new mayor had been one of the top managers in the previous administration. All of the staff that had worked on the financing project stayed.

After going through an initial planning process for the upcoming three years, it was clear that the situation at the state had not changed. The same party had won the majority of the state congress. The door was still closed for state approval for any major request by the municipality. Mérida saw that if it was going to get anything done, the effort to issue debt would have to bear fruit.

By September of that year, the new administration restarted the project to issue debt for the first phase of the remodeling of downtown. The total long-term capital improvement plan (CIP) was estimated to cost \$US 39 million. The municipality planned to do most of the work with its own workforce. It could budget for this and procure the materials on a pay-as-you go basis. The municipal workforce could not do all the work, however. At least 10% of the total package, mostly the first phase of the project, would have to be bid out and contracted, which meant encumbering \$US 3.9 million in cash at one time to back the contract. This would strain the municipality's cash flow for the three years it would take to complete the contract, since the municipality served as its own financier for the capital investments it made with the slow-arriving federal revenues. Not wanting to redirect resources from other investment needs or risk delaying the restoration of downtown, the municipality decided it should do what was necessary to secure financing for this piece of its CIP.

With the benefit of the experience in the past administration behind it, the administration began to engage the banks at the same time that it started the process for getting rated by S&P. To work with the banks this time, however, the municipality retained a financial advisor, BANAMEX-Accival, that was experienced in working on private commercial paper deals in the Mexican stock.

## **First Municipal Credit Rating in Mexico**

S&P agreed to rate Mérida for a low fee for being the first local government it had rated in Mexico. It presented a list of information requirements, and the municipality immediately responded. Mérida had no trouble meeting all of S&P's requests, as it had long prided itself on keeping a tidy information and financial management regime. Two weeks into the exercise, Mérida was told that based on the information that had been provided, a rating seemed feasible. In the meantime, a rating team would visit the city to verify the information that had been provided and to understand better the local economic and political environment.

No municipality in México at that time had ever been rated by an international rating firm. Today, after the change in the Mexican law requiring all banking institutions, including the federal development bank, to capitalize their portfolios according to weighted credit risk factors, there are many municipalities that have gone through the exercise.

Not knowing how to prepare for the exercise, Mérida simply set a date for the visit by the rating team. A week before the date, the municipal staff was informed that S&P would be visiting for a week to review the municipality's finances. Instructions were given that S&P's requests for information should be responded to as soon as possible. The finance director's office was put in charge of logistics and quality control. No other special measures were taken. Mérida never inquired with counterparts in industrialized countries who would have told them that they typically make a special effort to focus on the rating before, during and after the exercise; that the local administrators are usually handed a tall checklist of information needs, and the expectation is that it will be checked off completely by the time the first meeting with the raters takes place; and that a rating is taken not just as a basic step toward issuing bonds, but also as a very important indicator of public policy performance, carrying with it many weighty consequences.

The rating exercise went well. The raters asked if the municipality's financial statements for the past several years had been audited by an independent auditor. This is a basic question for municipalities in the industrialized world, where local governments enjoy a long history of issuing bonds and working with credit raters, but for a Mexican municipality at that time where there was neither the requirement nor the institutional culture for submitting to an outside, independent audit, the expectation was that there would be no audit. Not many municipalities in the country could have answered in the affirmative at that time, but Mérida responded that Ernst & Young, an internationally reputable firm, had audited its financial statements every year since 1990. How old is the most current financial statement? Less than 30 days, since it takes the staff only a couple of days to close the books on the past month's activities. Does the municipality keep an inventory of capital assets and a schedule of depreciation? Yes. The rest of the exercise went the same. All of the information and financial management systems that are expected of a modern municipal government were in place. The only task that proved difficult was obtaining current and dependable data on the local economy- information the staff did not directly manage. It took several follow up interviews and another visit to Mérida to acquire this information.

In December 1998, S&P issued a public statement announcing that it was assigning a rating of mxA to Mérida in relation to the planned issuance of US\$ 3.9 million in debt secured by future real estate tax revenue.

## Negotiating with the Banks

The municipality saw it could negotiate more effectively with the banks with an official rating in hand. It went through a preliminary evaluation of the market's interest. A number of banks demonstrated genuine interest in brokering the issuance. Encouraged by this news, the municipality launched an open solicitation process to select the broker. It received many bids. A preliminary review of the proposals showed that the issuance could be achieved through several banks. The bidding process had worked. A more thorough evaluation of the top proposals, all of which quoted terms and conditions based on market rates at the time of issuance, indicated that Accival, Mérida's financial advisor, had submitted the best offer. Since there was no requirement that excluded the advisor from becoming the municipality's broker, Accival was selected.

When final negotiations were concluded with Accival, talks immediately started with the National Banking and Trading Commission. Mérida received encouragement from the staff at the Commission, but it was also told that the project had to go to the full board, where some members felt that municipal government in Mexico was not yet ready to enter in the world of municipal bonds.

<b>Terms and Conditions for Bond Emission</b>	
Denomination	Tradable paper with a guaranteed base
Term	2 years
Amortization	2 equal years
Rating	MxA, Standard & Poors
Reference	National Treasury bills (TIIE)
Surcharge	1-2.25%, depending on market conditions
Interest Payments	Quarterly
Interest calculation	Monthly basis
Guarantee	<ul style="list-style-type: none"> <li>• Monthly contributions to a debt service fund</li> <li>• Established minimum security values</li> <li>• Pledged real estate taxes based on real market values and rents</li> </ul>
Rate Fixed	At the time the rate is agreed upon by the broker and the municipality
Type of value	Payable. 2 series of MX\$ 17.5 million
Broker Fee	1.35%



Management Fees	0.3% monthly for trust bank 0.2% for representatives 0.3% management
Placement fee	MX\$ 611,827 (1.767% of total placement)
Preliminary Calendar	
Initial process	<ul style="list-style-type: none"> <li>• Mandate signed</li> <li>• Consultation with government authorities</li> <li>• Assembly of information</li> </ul>
Week 1-3	<ul style="list-style-type: none"> <li>• “Due Diligence”</li> <li>• Credit Committee authorizes</li> <li>• Prospectus completed</li> <li>• Solicitation prepared</li> </ul>
Week 4-5	<ul style="list-style-type: none"> <li>• Solicitation authorized and issued</li> <li>• Proposals reviewed</li> </ul>
Week 6	<ul style="list-style-type: none"> <li>• Authorizing entities approve best proposal</li> <li>• City Council meeting</li> <li>• Public notification</li> </ul>
Week 7	<ul style="list-style-type: none"> <li>• Fixing of prices and public offering</li> <li>• Funding of trust account</li> </ul>

As the project entered its final steps, potential buyers, especially insurance companies, began to show a lot of interest.

At the same time, the municipality began to grow concerned that the financing costs were too high given the small size of the issuance. It also worried that the federal income tax laws exempted only the interest earned on federal bonds. Municipal bond buyers would have to pay taxes on the interest earned, which would discourage buyers and push up interest costs once Mérida went to market.

Nevertheless, Mérida saw that issuing bonds was the only alternative available to it if it wanted to go forward with the downtown project. To make sure it had exhausted all the alternatives, the municipality took its financing proposal to the national development bank, Banobras, the usual municipal financier, but it got no response. Time was running out. With no other viable financing options in sight, it kept going with the plan to place bonds in the open market.

### **A Better offer from the national development bank**

The news traveled throughout the country. There was great interest from all sectors, including the state and the federal government.

On April 1999, many months after it had been solicited, Banobras surprised Mérida with what by then it took as an unsolicited offer that beat the best terms it was expecting from the open market for better terms that beat what had been won in the bond project. Mérida accepted the offer and canceled the bond issuance.

<b>Banobras' Terms</b>	
Type of Credit	Line of credit
Amount	Up to \$37,000,000
Funding Source	Banking institutions
Duration	Until May 30, 2001
Commissions	0.125% for availability
Interest Rate	Treasury bill (TIIE) 1.05%

Whether or not this final twist in the story represents a good ending is a matter of debate, especially if building local access to capital markets is considered a major development objective. The lessons that come from Mérida's experience are more certain. Municipalities in Mexico will choose going directly to the capital market over other forms of capital financing given the circumstances, and the market will accept at least the financially stronger, better managed ones. However, if the national government offers better terms, even the municipalities that can access the capital markets on their own, will prefer government financing to the open market.

### **Fiscal Stability and Economic Growth**

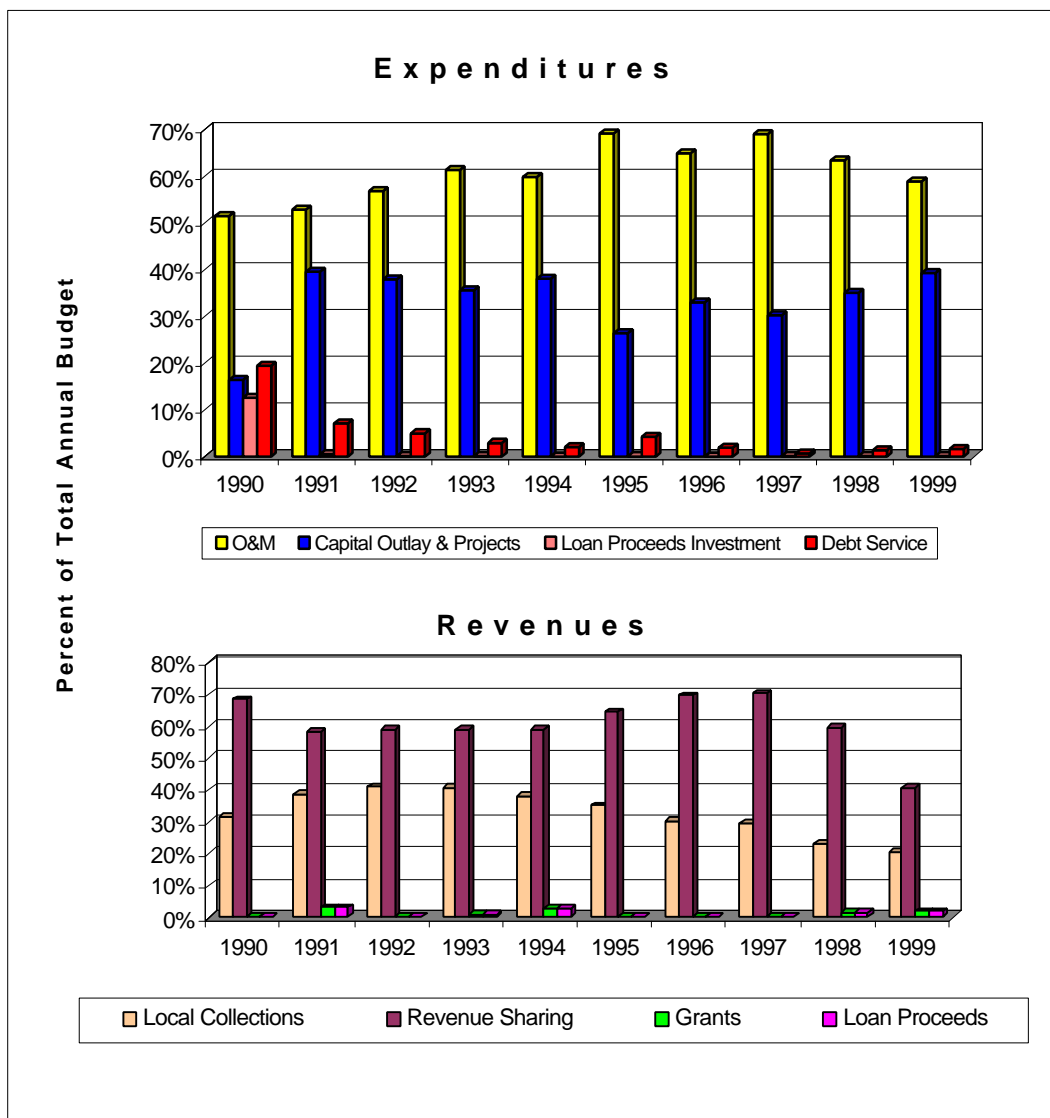
Mérida had been concerned with its fiscal stability and economic growth for a long time before it tried to issue bonds. It had been working to improve its financial outlook since in 1990, when the then opposition party won the mayorship in the aftermath of a financial scandal. Before then, the municipality's finances looked like that of most municipalities in México. The vast majority of its budget went to ordinary and fixed costs. Locally-generated revenues accounted for only an insignificant part of total revenues.

Immediately upon entering into office, the new administration focused on making a marked improvement in the way the municipality's finances were managed. Primarily by holding its operating costs in check and improving collections behind a policy of openness and vigorous

public education, it managed to build greater flexibility and self-reliance into its budget of almost \$US 55 million.

BUDGET DISTRIBUTION: 1990-1999

### By Major Categories



In the early-1990's, the top priority was putting order into spending and revenue collection. Ordinary costs were held to almost 50% of total expenditures, with one-time investments, mostly capital projects and equipment, accounting for almost 30% of the total. Own-source revenue came to more than 20% of total revenue.

This policy direction was continued for the most part by the succeeding administrations. Through the late-1990s, operations and maintenance rose as a percentage of the total budget, but it never exceeded 70%, while capital projects and outlay on average stayed above 30%.

All this meant that Mérida could leverage up to \$US 12 million annually to service a three-year financing arrangement leveraging more than \$US 30 million without state congress' approval. It allowed the administration to move forward with the bonds project enjoying a strong fiscal outlook and without fearing that it would damage the financial profile it had been building up for years.

Mérida followed up this policy by making it a priority to invest in a project like the downtown refurbishment as a strategy for promoting tourism and economic growth at the same time that it invested in basic infrastructure and urban upkeep.

There was never any danger that the bond package would become a financial liability for the federal government. The fact that the municipality went at it alone into the bond project removed the possibility that the debt would ever have to be covered by either the state or the federal government. The market covered the financial risk. The conditions that were placed on Mérida communicated quite clearly that the buyers would look only to it for meeting the terms of the bonds.

### **Economic Efficiency**

The municipality got into the bond project because it had no other way to go for capital financing. The state blocked the route it would have otherwise taken. This does not mean, however, that issuing bonds was the only course of action available to Mérida. It always had the option of doing nothing. Downtown had in fact fallen into disrepair because of neglect. The municipality could also have tried to engage the state in a political negotiation by offering to do what was necessary— even modifying the investment package— to garner the support it needed in the state congress. It saw that neither of these options were the best solutions. Instead, it chose to try issuing bonds. It was well aware that no municipality in Mexico had ever issued bonds, but it also saw that this option presented clear and practical advantages. It provided the capital it needed to do the downtown project, and it offered the means to financial flexibility it would never enjoy with its relationship with the state.

At first the municipality found it hard going. It was trying to go down a path that had not yet been established. The staff had to learn for the first time what had to be done. There were no experts who had all the answers. As it acquired experience and came to understand better what it was doing, the choice it made took on a different meaning. Issuing bonds was not just the only option left, it was a whole new dimension to municipal finance. It multiplied the options for the future. If Mérida succeeded in issuing bonds, it could be free from the impediments placed on it

by the state. As such, the idea of bonds, while borne out of the municipality being put in a corner, turned into a windfall of insight and experience. Now that the staff knew how to proceed, the municipality improved the flexibility it already enjoyed with its financial outlook. It no longer was tied to going to the state for capital financing.

The exercise, while it did not result in proceeds going to the downtown project, did produce a reward for the municipality's financial management record. Until it tried to issue bonds, good financial management was almost entirely a matter of unrecognized preference. Mérida could have had a poor financial position, but if the state allowed it to proceed, it would have put up its federal revenue and borrowed the capital it needed to complete the downtown project. Likewise, although its finances were in better shape than the average municipality in Mexico at that time, the state still refused to authorize any debt for it. The critical element was not the financial condition of the municipality. Market forces were not relevant. With the prospect of issuing bonds, however, a solid financial position and good management practices mattered— a lot. It was immediately clear to the administration that good financial management meant greater financing opportunities and lower bond costs.

### **Local Democracy and Accountability**

The municipality enjoyed a trend of steadily rising local revenues, which contributed to the positive financial outlook it took into the credit rating by S&P. The administration believed this was a clear indicator of the citizens approving of how it managed the municipality's affairs in general, an advantage it wanted to protect.

When it considered the route of negotiating a loan with a local bank like previous administrations had done, it saw that the risk of tarnishing its reputation by going behind closed doors was too high. Out of consideration for this, Mérida opted for the transparency and inclusiveness of bonds. In doing so, it decided to continue with its longstanding practice of openness. External, independent audits by an internationally reputable auditing firm was a step which the municipality had taken long before it started the process to issue bonds. Its submission to a credit rating, whose result was not a known outcome, was another significant commitment to openness. Then when it made its first attempt to issue debt, Mérida ran an open solicitation process for selecting the bank with which it was going to negotiate its placement. In the second attempt, it opened a competition for selecting the broker. Had it continued with the project, the bonds themselves would have been bid out in the open market, and Mérida would have remained consistent with its practice of being accountable and open to the public.

### **Responsiveness to Human Needs**

The municipality always had the opportunity to lay back and do nothing and let its term pass and not risk trouble with the state or bother with the experiment of issuing bonds. It decided not to let things stand as they were. Mérida chose to push where it could to accomplish the downtown project. In trying to issue bonds, the municipality felt it was responding in the best manner it could to an important need in the community.

The downtown project enjoyed broad support. It was a priority that transcended from one administration to the next, and it was the main factor that motivated the municipality to try bonds.

Had Mérida gone through with the issuance, the importance of the project would have been put to further scrutiny. In a situation where the debt instrument is the first of its kind in the market, as would have been the case with Mérida's bond, buyers would have had to be assured that the project was a top, enduring priority for the municipality. Buyer interest, and as a result, bids would have been weak had the downtown project been perceived as being unnecessary or unwanted by the community.

## **Conclusions**

Cornered into looking for an innovative way to secure capital financing, Mérida tried to issue bonds. Along the way, it learned a lot about a financing option it would not have otherwise considered. It saw that bonds offered a sorely needed solution to the problem of access to capital financing being blocked by the state government. It also learned that good financial management brought tangible rewards, specifically greater access to capital markets and lower financing costs.

In the end, a surprise offer made by the national government put an end to the plan to issue bonds. Mérida never lost sight of the basic calculations it needed to make to manage its financial affairs well. Nevertheless, the municipality, along with all the actors who participated in the effort to bring Mérida to the bond market, came to believe that municipal bonds was not a farfetched idea after all. The experience became the benefit. As such, Mérida, with the unexpected offer from the national government in hand, saw that it had gained much more than it had originally sought. It came out of the experience a more mature, more capable institution. It now believes that someday in the not too distant future, it will come to join its counterparts in the industrialized world and place its own bonds in the open market.

Mérida went as far as it did with bonds not just because the Yucatán state congress refused to endorse its federal revenue-backed loan, but because a number of factors came together that allowed it to achieve what it did: good financial management; an institutional culture of wanting to be efficient in managing the municipality's affairs; concern for the community's need for transparency; and the fact that the project it wanted to finance was needed and supported by the community. In general it can be said that the municipality was able to blaze the path that it did to the bond market because its institutional development had been very balanced. As such it serves as a model of institutional development that can be recommended to other municipalities in Latin America.

**Annex 3: Eficacia Y Transparencia En Mérida, Yucatán:  
Visión Sui Génerois O Las Nuevas Reglas Del Juego N El  
Gobierno Municipal Mexicano**

# EFICACIA Y TRANSPARENCIA EN MÉRIDA, YUCATÁN

## Visión *sui géneris* o las nuevas reglas del juego en el gobierno municipal mexicano

Bañada por un ambiente familiar y turístico, la Ciudad de Mérida goza también de un gobierno local que bien pudiera utilizarse como punto de referencia para el desarrollo idóneo del municipio en América Latina. Los servicios municipales son, comparativa y demostrablemente, de lo mejor de lo que existe en el entorno urbano Latinoamericano. *Control de calidad y atención al cliente*, gestiones difíciles de perfeccionar, pero fundamentales para una organización exitosa, han llegado a permear la cultura institucional del municipio. Los recurrentes premios y reconocimientos nacionales e internacionales elogian su astucia gerencial y dan constancia de la alta capacidad institucional del Ayuntamiento meridense. La transparencia, el máximo indicador de la confianza que tiene una organización de su capacidad de gestión y administración y, al mismo tiempo, de la aprobación que le otorga el público, es parte de su cultura institucional, destacándose entre los gobiernos locales mexicanos.

Entonces, la interrogante para muchos es cómo logró Mérida ser tan exitosa. ¿Cuál es el ingrediente clave? ¿Sus ingresos, los líderes particulares, su coyuntura histórica, el marco legal? ¿Se puede replicar la experiencia? También aflora la inquietud de porqué no han despegado de la misma manera otros municipios similares que se encuentran bajo las mismas circunstancias. ¿Es un caso *sui generis*? ¿Hay algo que los demás municipios deberían tomar como indicativos para ser más exitosos en la gestión?

La experiencia de Mérida no es tan especial que impida su replicación en otras municipalidades, pero la combinación de factores que produjeron el éxito sí es única: continuidad en el personal, proyectos administrativos y un enfoque claro para mejorar los servicios. Aunque es una fórmula inalterable, todos los gobiernos locales pueden servirse de esto. Lo sorprendente del caso es que a pesar de un medio ambiente donde el juego por el poder político consumía beligerantemente la atención y las energías del gobierno municipal, el Ayuntamiento de Mérida entendió que ser eficaz en los servicios y transparente en la administración eran las reglas del juego, minimizando la práctica del pago de facturas políticas y la mercadotecnia política. De esta manera, la enseñanza que el caso Mérida ofrece a las demás municipalidades del país es que priorizar el orden, la transparencia, la continuidad y la eficacia en los servicios son las nuevas reglas de juego.

### Las características de ser exitoso

¿Qué necesita un municipio para ser exitoso? Llegar a satisfacer efectivamente todas las demandas de los ciudadanos de la mejor manera posible. En efecto, hay que tener la capacidad para detectar y atender la



demanda y, al mismo tiempo, habrá que compararse y competir con los puntos de referencia más destacados. Sólo así se puede afirmar que los servicios son brindados de la mejor forma posible. El Ayuntamiento de Mérida lo ha hecho, ganándose el reconocimiento nacional e internacional por la excelencia de su gestión:

- Primera Capital Americana de la Cultura, 2000
- Premio Nacional al “Mérito en la Capacitación”, 2000
- Premio Nacional a la mejor ciudad turística, 2000
- Certificación ISO-9002 para el Departamento de Alumbrado Público, 2000
- Premio Nacional de Innovación Tecnológica para municipios menores a un millón de habitantes, 1999
- Premio Buenas Prácticas de Gobierno, Congreso de la Unión, 1999
- Primer municipalidad en México a obtener una calificación de riesgo crediticio de grado para emitir bonos (Aa) de una calificadora internacional, 1998
- Premio Nacional de Círculos de Control de Calidad (hasta hoy la única entidad del sector público en todo el país que aun ha intentado competir), 1998.

Pero no todo es premio y reconocimiento. La fortaleza de la institución descansa en su estructura, en los procesos administrativos y en los métodos de trabajo; es decir, en características poco apreciadas desde el exterior.

La planeación estratégica y de largo plazo son conceptos que tienen arraigo en Mérida. Existe un Plan Municipal de Desarrollo (PDM) con sus respectivos programas operativos, al igual que en muchos otros municipios. La diferencia la provoca el Ayuntamiento de Mérida al empatar el PMD con el quehacer cotidiano; contrario a la mayoría de los casos, donde el PMD se ha convertido en un listado de proyectos y programas de la administración del momento. En Mérida, el plan representa una visión clara y de largo plazo, sujeta a una estrategia sensata y detallada para realizarla. Y la organización en su conjunto acata las pautas y sigue el plan. Todavía más significativo, este PMD ha trascendido varias administraciones, observado raramente en otros municipios.

Al margen de entender la utilidad de administrar a través de planes y no bajo la presión de las emergencias y brote de “fuegos” (forma característica en muchas otras administraciones municipales), Mérida también ha asimilado la preponderancia de administrar con gerencia.

Se ha facultado a la Oficialía Mayor para que sirva como punto foco (de enlace) entre las áreas de administración interna, desarrollo urbano, servicios públicos y desarrollo social. Bajo este esquema, el quehacer rutinario es encausado a través de un proceso que fortalece la coordinación e impulsa la conciliación de acciones entre una amplia dispersión de departamentos y gestiones.

Así, la supervisión de la organización en su conjunto es más efectiva. Se evitan cuellos de botella y se esclarece lo que verdaderamente necesita de la atención de los dirigentes. El presidente municipal, al ser informado cotidianamente sólo por la Oficialía Mayor y la Tesorería, es liberado de la rutina para enfocarse en los asuntos más críticos de la administración y de la gestión política, sin deslindarse del ritmo administrativo y de servicios. De esta manera, se minimiza el problema que aflige a muchas otras alcaldías: distraerse de la gestión política, actividad vital y de tiempo muy limitado, para sofocar los fuegos administrativos.

El control del área financiera también es eficiente y fuerte. Está basado en un esquema que responsabiliza e inmediatamente fiscaliza el punto más allegado a la transacción mediante procesos claramente definidos y una red de enlaces remotos de cómputo que reportan en “tiempo real” a todas las áreas involucradas. Prácticamente, la elaboración de una solicitud en cualesquier dependencia municipal y la autorización del pago en Tesorería ocurren al mismo tiempo, sin importar la ubicación física de los puntos donde se realizan los trámites. Así, para el gestor no existe la necesidad de conseguir un sinnúmero de firmas y autorizaciones previas para realizar una compra rutinaria. Tampoco, hay la incertidumbre ni la pérdida de tiempo para adquirir material requerido para continuar con el trabajo.

Instantáneamente, y sin tener que recurrir a Tesorería o a la Oficina del Alcalde, se conoce si se puede comprar, o no, el bien o suministro que se necesita. Debido a que el gestor es el responsable de iniciar la compra y el

proceso a seguir es claro e inmediatamente fiscalizado, no hay interrupción en el ritmo de trabajo en el departamento (dependencia) ni en la Tesorería.

Este proceso no excluye menor control financiero. Por el contrario, el control es superior porque en lugar de supervisar cada solicitud continuamente, este procedimiento permite a la Tesorería mantener su enfoque en el buen funcionamiento del proceso, la planificación y las transacciones más críticas. Las inquietudes que dominan a muchas otras administraciones, como la suficiencia de efectivo para cubrir el gasto o el cumplimiento con el plan presupuestario son menores, porque el sistema permite conocer y controlar instantáneamente el balance de cuentas y estado financiero.

El tesorero puede llevar un control completo (del gasto), al tiempo de anticiparse a los problemas y asimilar las necesidades hacendarias de la organización, sin tener que involucrarse en cada trámite de cada dirección, recurrente en organizaciones con menor capacidad institucional.

En 1998 el Ayuntamiento de Mérida obtuvo por *Standard & Poors* una calificación de riesgo crediticio de riesgo "Aa", que le permitiría emitir bonos sustentados en sus propios ingresos. Finalmente, un préstamo con términos más favorables otorgado por el Banco Nacional de Obras (BANOBRAS) impidió la emisión de los bonos. Sin embargo, es destacable la fortaleza financiera del Ayuntamiento de Mérida al promover este modelo inédito en América Latina.

Los servicios son la razón de ser de una municipalidad. Su labor para mejorar las estructuras y procesos administrativos no han marginado a Mérida de esta premisa. El Ayuntamiento meridense ha ido mejorando los servicios, tanto en eficiencia como en calidad.

En 1990, Mérida contaba con una población de 557,000 habitantes. Una década después, la población creció 26 por ciento y hoy la población suma 704,000 residentes. Naturalmente, el fenómeno de crecimiento poblacional impulsó el crecimiento de la mancha urbana. Hoy la extensión de los servicios municipales urbanos abarca 30 por ciento más territorio que hace diez años. Para cualesquier municipalidad, estas variables representarían un gran reto.

Lo esperado sería que la planta de trabajadores hubiera crecido al mismo ritmo y que la calidad de los servicios públicos hubiese decaído. Éste no fue el caso en Mérida. El número total de empleados se incrementó de 1,567 en 1991 a un 1,842 en 2001; es decir, en un 21 por ciento.

**COMPARACIÓN DE TASAS DE CRECIMIENTO:  
POBLACIÓN Y SERVICIOS PÚBLICOS**

<b>Crecimiento</b>	<b>Servicios Públicos</b>				
	<b>Población</b>	<b>Mancha urbana</b>	<b>Empleados</b>	<b>Áreas verdes m<sup>2</sup></b>	<b>Número de lámparas</b>
	26.4%	30.0%	17.5%	4044.3%	41.9%

A su vez, servicios como el mantenimiento de espacios verdes y alumbrado público mostraron enormes mejoras. El monto total de la superficie de parques y jardines mantenidos, sin contar los campos deportivos, se disparó en más de 4000 por ciento, hasta alcanzar 3.8 m<sup>2</sup> por habitante.

El número de lámparas instaladas aumentó 41 por ciento, logrando un nivel de 79 lámparas por mil habitantes. Aunado a ello, el mantenimiento a la red de alumbrado público ha alcanzado el excelente “tiempo máximo de respuesta” de 72 horas para atender todas las solicitudes provenientes de los ciudadanos.

A diferencia de otros municipios que se ven presionados por la demanda en los servicios públicos, en Mérida la calidad de los servicios que regularmente el ciudadano observa, no ha socavado la calidad de los servicios “que no se ven”. La disposición final de la basura es quizá el mejor ejemplo. Mérida cuenta con un “verdadero” relleno sanitario y lo opera con los detalles requeridos:

- Vida útil de 15 años
- Compactación diaria de la basura
- Cobertura diaria con tierra

- Ausencia de pepenadores
- Prohibición de incendios
- Sistema de conducción y tratamiento básico de lixiviado
- Sistema de conducción y ventilación de gases metanos
- Subsuelo protegido por una malla de *geomembrana* impermeable
- Manejo de celdas para enterrar la basura
- Cobertura del más de 90 por ciento de la población.

Al margen de ser un servicio público vital, un relleno sanitario es una muestra clara de la visión y el compromiso manifiesto de un gobierno local por el bienestar de largo plazo de su comunidad. Al proveer a sus ciudadanos de un depósito final de la basura ("sanitario" en la verdad), el Ayuntamiento de Mérida ofrece una constancia de la capacidad de traducir los anhelos y propósitos en acciones que incrementan el nivel de nivel de sus habitantes.

Para respaldar los éxitos en el ámbito administrativo y de servicios, se destaca un logro importante que ubica al gobierno local de Mérida como una de las municipalidades más destacadas en América Latina: la transparencia.

Como un indicador de la confianza de su orden financiero y administrativo, Mérida ha abierto sus procesos y decisiones al escrutinio del público. Mucho más allá del tradicional Comité de Planeación para el Desarrollo Municipal (COPLADEMUN), el Ayuntamiento ha instalado comités consultivos ciudadanos para revisar gestiones tales como licitaciones, compras y planeación financiera. Ha logrado que 74 por ciento del monto total de compras (\$293,000,000) hayan sido realizadas por la vía de concurso público y el 20 por ciento a través del sistema de "tres cotizaciones documentadas".

Otra conquista importante de Mérida, que pocas municipalidades en América Latina han concretado, es la realización de diez auditoria externas consecutivas. Elaboradas por empresas independientes de reputación internacional, cada auditoria obtuvo resultados sin salvedades respecto al manejo de las finanzas municipales.

También, el Ayuntamiento meridense ha colocado un sitio interactivo en la *internet* que permite a cualquier ciudadano conocer detalladamente los gastos, planes y metas de la administración, impulsando a que la sociedad se sirva de los elementos necesarios para realizar su propia fiscalización.

### Ingredientes clave

¿Cómo logró el Ayuntamiento de Mérida ser tan exitoso? Los líderes locales responden que han contribuido cuatro factores principales:

- Orden financiero y administrativo
- Planeación
- Capacitación del personal
- Sistemas de información

Nadie duda que estos temas hayan impulsado sustancialmente el desarrollo institucional del gobierno municipal en Mérida. Sin embargo, al argumentar que la organización se valió de estas cuatro líneas estratégicas para alcanzar sus logros, no responde completamente a la pregunta original, que podría ser replanteada con base a las mismas cuatro líneas: ¿Cómo logro Mérida ser exitosa con estos cuatro elementos?

Necesariamente, cualesquier respuesta completa tendría que considerar la historia de los últimos diez años de la municipalidad y las coyunturas que se presentaron para que temas como el control financiero y la planeación llegaran a ser prioridades trascendentes.

En el desarrollo institucional de la municipalidad, han transcurrido cinco etapas de evolución desde 1990. La inicial puede nombrarse la "época de administración tradicional", donde las estructuras, los procesos y los proyectos administrativos eran dirigidos por el juego del poder político. La conservación del control del poder político era más prioritario que el orden administrativo y la calidad de los servicios. La organización ya había permanecido en esta realidad por décadas, hasta que un escándalo financiero en la Alcaldía en 1990 conmovió a la sociedad local a votar por un cambio político que acabó con esta manera de administrar.

La segunda etapa se caracterizó por el arribo de la alternancia política y la implantación del orden financiero y administrativo. En ese entonces, como prioridades prevalecían asentar el orden y transparentar la administración. En lo general, estas metas se lograron, a pesar de la fuerte adversidad enfrentada como el primer y único gobierno local de alternancia en el estado.

Al inicio, no todos los simpatizantes estaban convencidos del futuro exitoso de la nueva administración. Bajo esta circunstancia, quienes aceptaron las nuevas responsabilidades públicas, no fueron los primeros convocados. Había temor a participar en una aventura política que para ese entonces se le auguraba baja probabilidad de éxito. Muchos de los individuos que por su liderazgo político o social fueron invitados a tomar posiciones de alta responsabilidad en la incipiente municipalidad consideraron demasiado riesgoso participar en la primera administración de alternancia.

Aunado a ello, la inquietud acerca de las finanzas y por haber emergido de un movimiento de base y no de líderes políticos tradicionales, las nuevas autoridades minimizaron la cuota de facturas políticas, atrayendo personal altamente capacitado y certero de su habilidad para triunfar.

La tercera fase del desarrollo institucional del gobierno local en Mérida fue muy breve, pero sirvió como una experiencia que posibilitó lo que vendría después. A causa de un cambio en la Constitución del Estado de Yucatán que modificó las fechas de las elecciones municipales para coincidir con la contienda electoral estatal, la administración que relevó al primer gobierno de alternancia tuvo sólo un año y medio de plazo. La prioridad era incrementar la producción de servicios y proyectos. La organización experimentó un tiempo intenso de trabajo, sin menoscabar los controles financieros y administrativos, logrando niveles ni siquiera imaginados.

El cuarto periodo fue el tiempo para la consolidación de los avances. Germinó la necesidad de elaborar planes de largo plazo y encauzar a la organización hacia una cultura de control de calidad y mejoramiento continuo. En 1996 se contrató un despacho externo para capacitar y asesorar a los funcionarios en materia de control total de calidad y se conformaron círculos de calidad en las direcciones de Mantenimiento de

Vehículos, Alumbrado Público y Tesorería. También, la capacitación del personal y la informatización de los procesos obtuvieron sus mayores avances durante este tiempo.

**NÚMERO DE COMPUTADORAS AL  
SERVICIO DE LA ORGANIZACION:**

<u>Año</u>	<u>Unidades</u>
1991	3
1993	20
1995	60
1998	Instalación de la red y servidores remotos

La quinta etapa se distingue por el aceleramiento de la cultura de control de calidad y mejoramiento continuo y por la automatización de los procesos administrativos. Fue el tiempo para cosechar productos de las mejoras que se pusieron en marcha en las administraciones anteriores. Durante este período, Mérida comienza a recibir premios y reconocimientos por sus logros.

En 1998 se instituyó la Subdirección de Desarrollo Institucional y en el marco de ella, la Unidad de Calidad Municipal que disparó a 17 el número de círculos de calidad. Estos círculos llegaron a contar con más de 140 funcionarios, incluir a más de 400 trabajadores *en línea* e involucrar a más de 200 procesos vitales de trabajo en casi todas las áreas de la organización.

Podemos afirmar que hasta el momento, esta última etapa sigue vigente. Sin embargo, recientemente ha habido un relevo de administración y hay señales que puede, todavía, estar despegando hacia otra transformación institucional. Hoy se considera que la institución debe empezar a cambiar la relación ciudadano-municipalidad y motivar a que los ciudadanos asuman su responsabilidad de ciudadanos. Tornar el enfoque en esta dirección implica un cambio importante para una organización avocada a controlar los procesos y



brindar servicios. Sólo con el tiempo se podrá aseverar si el resultado siguió siendo positivo.

La experiencia de Mérida no necesariamente tenía que haber sido positiva. La adversidad política jamás blandeó y la demanda de los servicios persistió en su crecimiento. El fracaso siempre fue posible, sin distinguos del resto de los municipios del país. Pudo haber ocurrido un estancamiento en alguna de las etapas de mejoramiento institucional, que hubieran volcado los planes, avances y proyectos de cada nueva administración, como suele ocurrir en muchos otros municipios.

La inversión en capacitación de personal e introducción de nuevos métodos de trabajo bien se podrían haber fugado con el reemplazo del personal al inicio de cada nueva gestión municipal. Sin embargo, la institución no incurrió en el círculo vicioso de siempre comenzar de nuevo con cada administración, impulsando una evolución institucional positiva.

Como precepto básico, en cualesquier trabajo, la eficiencia y la calidad se mejoran con el tiempo, debido a que la acumulación del conocimiento permite al trabajador dominar y perfeccionar progresivamente su labor. Mérida entendió la premisa y se apalancó de la continuidad del personal, de los planes y las políticas. Su enfoque constante fue el mejoramiento de los servicios, en lugar del juego por el poder político, para enfrentar las adversidades y atender exitosamente las expectativas de sus ciudadanos.

El escándalo relacionado con el manejo de las finanzas municipales que posibilitó el cambio político en 1990, conllevó a la administración a priorizar el orden financiero e introducir gestiones que, como las auditorías externas, se practican anualmente para transparentar su manejo de las finanzas. No obstante el mejoramiento en la gestión hacendaria, la primera administración de alternancia, y las consecuentes, no perdieron de vista que la sociedad local tomaba muy en serio la probidad y la transparencia en la administración financiera. Esta actitud colectiva motivó a cada administración a mejorar constantemente su labor en este ámbito.

Después de diez años en esta trayectoria, la administración financiera de Mérida ha llegado a ubicarse en el mismo nivel que las mejores administraciones municipales en países industrializados. Inclusive, la confianza en sus controles es tal, que ofrece a través de la internet información al público en general de cada uno de los cheques que expide a proveedores.

Los votantes demostraron su mayor aprobación a esta gestión en 1993 cuando decidieron continuar con la dirección política que tomaron en 1990, impulsando a la nueva administración a continuar con las políticas del ayuntamiento anterior. Pero surgió una nueva adversidad: tenía sólo 18 meses para trabajar y el nuevo reto era maximizar la capacidad productiva de la organización. En este sentido, no se percibía lógico cambiar al personal o introducir nuevas estructuras administrativas. Era más conveniente continuar con el mayor personal de la previa administración y enfocarse en la obra pública y en brindar servicios.

La siguiente administración, también de la misma corriente política, entendió que la continuidad apoyaba y era apoyada en el enfoque de los servicios. Dedujo correctamente que gran parte del público la había preferido por los servicios y las obras que había ofrecido la administración anterior. Estaba claro que los ciudadanos iban a brindar su preferencia a aquellos que mejoraban los servicios y daban prioridad a la probidad y la transparencia. Era fundamental enfocarse en los servicios sin quebrantar las mejoras en la administración financiera. Así, repitió la política de la anterior administración de continuar con los mismos servidores públicos que estaban en funciones.

La siguiente administración continuó con los mismos planes, proyectos y políticas puestos en marcha por el Ayuntamiento anterior. Casi todo el personal permaneció en su cargo. Al concluir su período esta administración, los servicios testimoniaban los años de mejoramiento continuo y los empleados gozaban de lo equivalente a un servicio civil de carrera.

En fechas recientes, los votantes favorecieron nuevamente al mismo partido político, ofreciéndole 13 años de liderazgo en la municipalidad. Así, se evitó la amarga lección que se ha aprendido en otros municipios, donde los ciudadanos han establecido la alternancia política durante cada período: el público opta por

el cambio, en búsqueda de la buena administración y los buenos servicios, no por el amor a los colores políticos..

### Indicaciones para el resto del mundo municipalista

¿Qué enseñanza se puede derivar de esta experiencia? El éxito que ha logrado Mérida no es meramente el resultado de una coyuntura; implicó visión política y trabajo ordenado. Y ello puede ser replicado en cualesquier municipio. Lo que ha experimentado Mérida nos sirve para entender, al menos, dos verdades en el entorno municipalista hoy en día: sí se puede llegar a tener un nivel de eficiencia y calidad en los servicios municipales de primer mundo en México; la otra deducción involucra a un público que brinda mayor prioridad y exige que los servicios vayan mejorando.

Mérida nos ofrece la pauta para invalidar a las voces que argumentan que las circunstancias económicas, las condiciones estructurales o cualquier otra razón imposibilitan que los ciudadanos de un municipio en México puedan tener servicios públicos de alta calidad. La tesis que elucida la imposibilidad de gozar en México de servicios públicos municipales de alta calidad, comienza a tornarse en la apología que esconde la resistencia a administrar con creatividad y gerencia.

No es fácil. Sin duda, los problemas son reales y bastantes. Pero hemos visto que pueden superarse con tiempo y compromiso. Está claro que la continuidad permite a la organización acopiar experticia institucional y que ello habilita a la organización a brindar servicios municipales mejores y cada vez más eficientes.

Mérida requirió de diez años para llegar al punto donde se encuentra. En general no se debe esperar menos. Se llevará tiempo para que la capacidad institucional y los servicios muestren una mejora sustanciosa. El cambio ocurrirá primero lentamente y después a un paso acelerado. Lo importante es no retroceder.

En el puente de una administración a otra, es imperioso no descartar las mejoras en la capacidad institucional, para “comenzar de nuevo”. El compromiso es

acumular la experiencia y la escalada de avances. La continuidad no se inicia, se promueve.

También, toma tiempo priorizar el mejoramiento de los servicios municipales. Será importante analizar cada decisión respecto a su impacto en la eficiencia y calidad de los servicios en un marco de equidad. Cambiar un número importante de empleados implica perder memoria institucional capital en experiencia y desperdiciar la capacitación de los funcionarios. Así, los servicios están en riesgo.

Y si los servicios son la mayor prioridad, este riesgo puede ser controlado con la permanencia de los funcionarios que conocen el trabajo, en lugar de reemplazarlos por meras consideraciones políticas.

Cada administración deberá considerarse un eslabón en una larga cadena de evolución institucional y ponderar que la meta prioritaria no es simplemente ganar el juego por el poder político. Como meta en la administración municipal está lograr que la eficiencia y calidad de los servicios lleguen a un alto nivel.

El solemne compromiso con la sociedad será no convertirse en el eslabón más débil de esta cadena.

No hay duda, las reglas del juego han cambiado. Es claro que sólo avanzando hacia esta meta se conservará el poder. Recordemos que las preferencias electorales sucumben fácilmente ante los productos de la mercadotecnia y la facturación política.

## **Annex 4: Diplomado En Finanzas Municipales**

# **DIPOLMADO EN GESTIÓN FINANCIERA MUNICIPAL**

## **Modulo I.       CONDICIÓN FINANCIERA**

**Objetivo:**     **Entender que es la buena condición financiera en todas sus diferentes definiciones**

**Temas:**

- Liquidez
- Capacidad de endeudamiento
- Equilibrio de riesgos y reservas
- Sustentabilidad
- Suficiencia
- Transparencia
- Cumplimiento de planes y políticas financieras
- Capacidad institucional

## **Modulo II.       IMPEDIMENTOS AL BUEN ESTADO FINANCIERO**

**Objetivo:**     **Conocer los factores que impiden tener o disminuyen la buena condición financiera**

**Temas**

- Rezagos históricos
- Dependencia en ingresos externos
- Ineficiencia en la recaudación local
- Baja capacidad institucional
- Inercias burocráticas y sociales
- Corrupción
- Baja credibilidad comunitaria
- Falta de continuidad y trascendencia

### **Modulo III.     POTESTADES**

**Objetivo:**     **Conocer las potestades, incluyendo alcances y limitaciones legales, en la diferentes áreas de la gestión financiera municipal**

#### **Temas**

- Responsabilidades y obligaciones de los gestores
- Reformas recientes a las ley de coordinación fiscal
- Participaciones y partidas federales
- Endeudamiento y calificación de riesgo crediticio
- Avales para la aprobación del presupuesto de ingresos
- Auditorias y requisitos de la fiscalización estatal
- Reformas al 115

### **Modulo IV.     RECAUDACIÓN**

**Objetivo:**     **Conocer las características de las diferentes fuentes de ingresos y como maximizar la recaudación**

#### **Temas**

- La participación del municipio en la recaudación nacional y estatal (ventajas y desventajas del actual sistema de participaciones federales)
- Tributos versus cuotas versus impuestos
- Eficiencia y equidad
- Comités consultivos, reportes públicos y declaración de políticas y otros mecanismos para crear la transparencia y mejorar la comunicación ciudadana
- Vinculación interna y técnicas para actualizar el catastro, patrones de usuarios y otras bases de datos
- Sistemas y técnicas para reducir la morosidad e incrementar la recaudación
- Control de calidad en la atención al cliente, análisis organizacional como sistemas y técnicas para hacer más eficiente la administración recaudatoria y mejorar la recaudación

## **Modulo V. EGRESOS**

**Objetivo:** Conocer técnicas para controlar gastos con fines de mejorar el estado financiero municipal

**Temas:**

- Porqué, o no, financiar con deuda
- Etiquetas presupuestarias y otras técnicas para financiar la inversión con gasto corriente
- El ciclo anual del gasto versus el ciclo del mercado de proveedores
- Control de nómina
- Sustentabilidad
- Fiscalización de la calidad de bienes y adquisiciones
- Controles y registros de proveedores
- Inyección de competencia y coordinación con proveedores y otras técnicas para efficientizar la proveeduría
- Declaración de políticas hacendarias, reportes mensuales a cabildo y otras técnicas para fortalecer y transparentar el gasto público
- Planeación, racionalización de gastos y priorización de proyectos
- Mancomunamiento, cofinanciamiento y participación en el gasto por parte de usuarios
- Control y delegación de responsabilidad y autoridad en la administración
- Manejo de Ramo 33 y otros programas de aportaciones federales

## **Modulo VI. MANEJO DE EFECTIVO**

**Objetivo:** Conocer técnicas para manejar el efectivo y la liquidez financiera

**Temas:**

- Ciclo anual del gasto versus ciclo anual de egresos
- Reservas
- Medidas anticorrupción
- Colocaciones de efectivo y otros mecanismos para manejar el efectivo
- Manejo de plazos para pagar proveedores



- Indicadores a seguir

## **Modulo VII. INVERSIÓN DE CAPITAL**

**Objetivo:** Conocer los pasos para planear la inversión de capital

**Temas:**

- Manejo de inventarios
- Estandarización del servicio, proyección de la demanda y la identificación y priorización de necesidades
- Capacidad de endeudamiento y financiamiento
- Sustentabilidad financiera y presupuestaria
- Definición de proyectos
- Capacidad de ejecución y utilización de capital
- Indicadores a seguir

## **Modulo VIII. PRESUPUESTO: LA COLUMNA VERTEBRAL ADMINISTRATIVA**

**Objetivo:** Conocer los diferentes usos institucionales de un presupuesto y como elaborar y manejar un presupuesto

**Temas:**

- Como sistema de planeación de largo y corto plazo
- Como sistema de comunicación con los usuarios (internos y externos)
- Como sistema de control interno
- Como sistema de comunicación pública
- Como sistema de vinculación con los otros sistemas administrativos
- Como sistema de medición del desempeño
- Como sistema de rendición de cuentas

## **Modulo IX.ELABORACIÓN Y MANEJO DEL PRESUPUESTO**

**Objetivo:** Conocer como elaborar y dar seguimiento a un presupuesto

**Temas:**

- Planeación del proceso y preparación de los gestores
- Elaboración del borrador
- Presentación y aprobación del documento
- Ejecución y monitoreo
- Retroalimentación y reiniciación del ciclo presupuestario

## **Modulo X. CUENTA PÚBLICA**

**Objetivo:** Conocer diferentes técnicas para realizar una rendición de cuentas efectiva

**Temas:**

- Contabilidad con propósito
- Medición de la eficiencia y eficacia
- Control de inventario y depreciación
- Auditorias
- Divulgación de los estados financieros y ejecución presupuestario
- Comités técnicos consultivos y otros mecanismos para involucrar al público en la gestión financiera

## **Modulo XI. EL FUTURO DE LA TESORERÍA MUNICIPAL**

**Objetivo:** Conocer las tendencias y diferentes propuestas que se han planteado para las municipalidades respecto a sus finanzas

**Temas:**

- Autosuficiencia y autogestión
- Certificación y calificación del personal y del desempeño institucional

- Profesionalización, carrera y continuidad
- Código de ética

## **Annex 5: Quarterly Financial Report**